

ATTENTION

First Time Filers

Partnerships, S corporations or other Flow-Through Entities filing a composite return on behalf of their nonresident partners or shareholders for the first time, **must file an *Agreement to File Michigan Composite Individual Income Tax Return* (Form 750) before filing a *Michigan Composite Individual Income Tax Return* (Form 807).**

If your Flow-Through Entity has not filed an "Agreement," please read the agreement carefully, have a partner or officer sign it and submit two copies to the address on the agreement. If your company has already filed an agreement, there is no need to attach another one to your composite return.

2001 MICHIGAN Composite Individual Income Tax Return

For 2001, or taxable year beginning _____, ending _____.

1. Name of partnership, S corporation or other flow through entity	2. Federal Employer Identification or TR Number
3. Mailing Address (Street, P.O. Box or Rural Route No.)	
4. City, Village or Township, State, ZIP	

NOTE: Pages 1, 2 and 3 of the U.S. 1065 or 1120S, the MI-1040H, a list of participants and a list of nonparticipants must be attached to this return. See Table 1 in the instructions.

5. Ordinary income (loss) from line 22 of U.S. 1065 or line 21 of U.S. 1120S	5. ....	.00
6. Additions (from line 34, page 2)	6. ....	.00
7. Subtotal. Add lines 5 and 6	7. ....	.00
8. Subtractions (from line 37, page 2)	8. ....	.00
9. Total income subject to apportionment. Subtract line 8 from line 7	9. ....	.00
10. Apportionment percentage from MI-1040H. (Caution! See instructions.)	10.	%
11. Total Michigan apportioned income. Multiply line 9 by the percentage on line 10	11. ....	.00
12. Michigan allocated income or (loss) (from line 42, page 2)	12. ....	.00
13. Total Michigan income. Add lines 11 and 12	13. ....	.00
14. Enter Michigan income that is attributable to Michigan residents	14. ....	.00
15. Enter Michigan income that is attributable to nonparticipating nonresidents	15. ....	.00
16. Enter Michigan income that is attributable to participants	16. ....	.00
17. Exemption allowance (from line 48, page 2)	17. ....	.00
18. Keogh or HR-10 deductions (from line 51, page 2)	18. ....	.00
19. Add lines 17 and 18	19. ....	.00
20. Taxable income. Subtract line 19 from line 16	20. ....	.00
21. Tax due. Multiply line 20 by 4.2% (.042)	21. ....	.00
22. Michigan estimated tax, extension payments and credit forward	22. ....	.00
23. If line 22 is less than line 21, enter TAX DUE Include interest _____ and penalty _____, if applicable PAY	23. ....	.00
24. If line 22 is more than line 21, enter overpayment	24. ....	.00
25. Amount of line 24 to be credited to your 2002 estimated tax 25.	25. ....	.00
26. Subtract line 25 from line 24 REFUND	26. ....	.00

CERTIFICATION

This return is due annually on the 15th day of the fourth month after the close of the firm's tax year.

I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.		I declare under penalty of perjury that this return is based on all information of which I have any knowledge.
I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No		Preparer's Name, Address, PTIN and/or FEIN
Filer's Signature	Date	
Spouse's Signature	Date	

Mailing: Make check payable to "State of Michigan." Write the firm's federal employer ID number, "Composite Return" and Tax Year on the check. Mail return with payment (if applicable) to: Individual Taxes-Technical Section, Michigan Department of Treasury, Lansing, MI 48922.

Name of partnership, S corporation or other flow through entity	Federal Employer Identification or TR Number
---	--

ADDITIONS (See instructions)

27. Net income (loss) from rental real estate activities	27. _____	.00
28. Net income (loss) from other rental activities	28. _____	.00
29. Portfolio Income (loss) (see instructions):		
a. Interest income	29a. _____	.00
b. Dividend income	29b. _____	.00
c. Royalty income	29c. _____	.00
d. Net short-term capital gain (loss) (from <i>Schedule K</i>)	29d. _____	.00
e. Net long-term capital gain (loss) (from <i>Schedule K</i>)	29e. _____	.00
f. Other portfolio income	29f. _____	.00
30. Net gain (loss) under Section 1231	30. _____	.00
31. Other income from U.S. <i>Schedule K</i>	31. _____	.00
32. State or local taxes measured by income	32. _____	.00
33. Other miscellaneous additions (attach schedule)	33. _____	.00
34. Total additions. Add lines 27 through 33. Enter here and on line 6	34. _____	.00

SUBTRACTIONS (See instructions)

35. Income (loss) from other partnerships, S corp. and fiduciaries included in ordinary income	35. _____	.00
36. Other miscellaneous subtractions (attach schedule)	36. _____	.00
37. Total subtractions. Add lines 35 and 36. Enter here and on line 8	37. _____	.00

MICHIGAN ALLOCATED INCOME OR (LOSS)

38. Guaranteed payments to participants for services performed in Michigan	38. _____	.00
39. Income attributable to other Michigan partnerships, S corporations or fiduciaries	39. _____	.00
40. Net Michigan capital gains (losses) (from Schedule D)	40. _____	.00
41. Other Michigan allocated income (see instructions)	41. _____	.00
42. Total Michigan allocated income or loss		
Add lines 38 through 41. Enter here and on line 12	42. _____	.00

EXEMPTION ALLOWANCE

43. Number of participants included in this agreement	43. _____	
44. Line 43 times \$2,900 exemption allowance	44. _____	.00
45. Total Michigan income from line 13	45. _____	.00
46. Total distributive income (line 8 of the worksheet)	46. _____	.00
47. Percent of income attributable to Michigan. Divide line 45 by line 46 (May not exceed 100%.)	47. _____	%
48. Apportioned exemption allowance. Multiply line 44 by the percentage on line 47 Enter here and on line 17	48. _____	.00

KEOGH OR HR 10 SUBTRACTIONS

49. Keogh or HR-10 subtractions for participants (attach schedule)	49. _____	.00
50. Enter the percent of income attributable to Michigan from line 47	50. _____	%
51. Keogh or HR-10 subtractions attributable to Michigan		
Multiply line 49 by the percentage on line 50. Enter here and on line 18	51. _____	.00

Instructions for Filing 2001 Michigan Composite Individual Income Tax Return

GENERAL INSTRUCTIONS

Who may file

A partnership, S corporation or other flow through entity (firm) that does business in Michigan and has two or more nonresident partners, shareholders or members (participants), who derive no taxable income from Michigan other than their distributive shares of the firm's income may file a composite return on behalf of those members. The firm and participants must agree to comply with the Michigan Department of Treasury rules described below.

Who may not participate in a composite return

A member may not participate in this composite return in any of the following cases:

- If he or she is not eligible to file a *Michigan Income Tax Return*, (i.e. partnerships and corporations),
- If he or she is claiming a city income tax credit, public contribution credit, community foundation credit, homeless shelter/food bank credit, college tuition credit or Michigan Historic Preservation Tax Credit,
- If he or she was a Michigan resident (full-year or part-year),
- If he or she had other sources of Michigan income besides his or her distributive share of the firm's income, unless the other source is from a participating firm under a similar agreement with the State of Michigan,
- If he or she wishes to claim more than one Michigan exemption.

When is the return due?

Returns and payment are due on the 15th day of the fourth month after the close of the firm's tax year.

If the firm cannot file by the due date, a request for an extension can be filed before the original due date. See "How to request an extension" on this page.

Are estimated payments necessary?

The firm may have to file estimated tax returns and pay estimated tax on behalf

of the participants. Estimated returns and payments are required if the annual tax to be remitted for each participant is expected to exceed \$500 after exemptions and credits.

The firm will file a composite estimated tax return and make estimated tax payments on behalf of all of the participants. The estimated return must be filed on a *Fiduciary Voucher for Michigan Estimated Income Tax* (Form MI-1041ES). Use the name of the firm and the firm's federal employer ID number. Write "composite return" on the form.

How to request an extension

The firm may request an extension of time to file by sending payment of the estimated annual liability to Michigan Department of Treasury with a copy of an approved federal extension. Any extension allowed by the Internal Revenue Service for filing the firm's federal return automatically extends the due date of the composite return to the same extended due date.

If the firm does not apply for a federal extension, request an *Application for Extension of Time to File Michigan Tax Returns* (Form 4). When completing the extension form, check "Fiduciary Return" in box 1, use the firm's name and federal employer ID number and write "composite return" on the form. Follow these special instructions to make sure your account is credited properly.

An extension of time to file is *not* an extension of time to pay. Payment of the estimated annual liability must be made with the extension application. When you file your composite return, attach a copy of your extension application to it.

Where will refunds, assessments and correspondence be mailed?

By signing the *Agreement to File Michigan Composite Individual Income Tax Return* (Form 750), the signing partner or officer declares that the firm has power of attorney from each participant to file a composite return on

his or her behalf. The Michigan Department of Treasury will mail refund checks, assessments and all correspondence to the firm at the address indicated on the return. The firm must agree to be responsible for the payment of any additional tax, interest and penalties as finally determined. Issues involving the tax liability reported on a composite return will be resolved with the firm. In unusual circumstances, the department may contact the participants.

TABLE 1 Attachments

Attach the following items to the composite return:

- A copy of pages 1, 2 and 3 of the U.S. 1065 or U.S. 1120S.
- A *Michigan Schedule of Apportionment* (Form MI-1040H).
- Two schedules (one for participants and one for nonparticipants) listing each partner's, shareholder's or member's name, address, Social Security number and respective share of Michigan income and/or loss.
- A statement signed by an authorized officer or general partner certifying that each participant has been informed of the terms and conditions of this program.

LINE-BY-LINE INSTRUCTIONS

Lines not listed are explained on the form.

Line 10: Enter the apportionment percentage from Form MI-1040H. DO NOT use the Single Business Tax apportionment percentage from Form C-8000H. The MI-1040H apportionment percentage is NOT weighted and the property factors are based on property owned or rented and USED in Michigan. See MI-1040H Instructions for income tax nexus standards.

Line 13: The amount on this line should equal the total of lines 14, 15 and 16.

Line 21: Multiply the amount on line 20 by 4.2 percent (.042).

Line 23: If line 22 is less than line 21, enter the balance of the tax due. This is the tax owed with the return. Enter any applicable penalties and interest in the spaces provided. Add tax, penalty and interest together and enter the total on this line. If balance due is less than \$1, no payment is required. Make checks payable to "State of Michigan." Write the firm's federal employer ID number and "Composite Return" and the tax year on the front of the check.

Line 26: Refund. Subtract line 25 from line 24. This is the refund. Treasury will not refund amounts less than \$1.

Mail your completed return with payment (if applicable) to:

**Individual Taxes-Technical Section
Michigan Department of Treasury
Lansing, MI 48922**

Additions

Lines 27 through 31: Enter income from lines 2, 3c and 4a through 4f of U.S. 1065 or 1120S Schedule K, and from lines 5 and 6 of U.S. 1120S Schedule K, or from lines 6 and 7 of U.S. 1065 Schedule K. Guaranteed payments, income attributable to other Michigan partnerships, S corporations, fiduciaries, or other flow-through entities should be allocated to Michigan on lines 38 through 41. See instructions below.

Line 32: Enter the amount of state and local income taxes that was used to determine ordinary income on line 22 of the U.S. 1065 or line 21 of the U.S. 1120S.

Line 33: Enter other additions to income, such as gross interest and dividends from obligations or securities of states and their political subdivisions other than Michigan.

Subtractions

Note: Charitable contributions and other amounts reported as itemized deductions on U.S. Schedule A are not allowable subtractions in determining Michigan taxable income.

Line 35: Enter income (loss) from other partnerships, S corporations, fiduciaries, or other flow-through entities that is included in ordinary income. Losses

Total Distributive Income Worksheet

(Line numbers refer to lines on the U.S. 1065 Schedule K or U.S. 1120S Schedule K.)

- | | |
|---|--------------|
| 1. Ordinary income (loss) from trade or business activity from line 1. | 1. _____ |
| 2. Net income (loss) from rental real estate activity from line 2. | 2. _____ |
| 3. Net income (loss) from other rental activity from line 3c. | 3. _____ |
| 4. Portfolio income (loss) from lines 4a - 4f: | |
| a. Interest income | 4a. _____ |
| b. Dividend income | 4b. _____ |
| c. Royalty income | 4c. _____ |
| d. Net short-term capital gain (loss) | 4d. _____ |
| e. Net long-term capital gain (loss) | 4e(2). _____ |
| f. Other portfolio income (loss) | 4f. _____ |
| 5. Guaranteed payments from line 5 of the U.S. 1065 Schedule K. | 5. _____ |
| 6. Net gain (loss) under section 1231 from line 7 of U.S. 1065 or line 5 of U.S. 1120S. | 6. _____ |
| 7. Other income (loss) from line 7 of U.S. 1065 or line 6 of U.S. 1120S. | 7. _____ |
| 8. Total distributive income. Add lines 1 through 7 and enter total on line 46 of form 807. | 8. _____ |

must be added back to ordinary income. Attach a schedule showing the location of companies and amount of income attributable to each.

Line 36: Enter amounts such as interest from U.S. obligations that are included in line 29a, and other deductions for AGI (above the line) that were not included in determining ordinary income. This includes section 179 depreciation and amounts included on line 16b of U.S. 1120S Schedule K and on line 18b of U.S. 1065 Schedule K. Attach a schedule of all subtractions.

Michigan allocated income or loss

Line 38: Enter the portion of guaranteed payments attributable to services performed in Michigan by the nonresident participants.

Line 39: Enter income from other partnerships, S corporations, fiduciaries or other flow-through entities attributable to Michigan. Attach a schedule showing the amount of income attributable to each.

Line 40: Enter gains or losses from the sale of real or personal property located in Michigan not subject to apportionment.

Line 41: Enter any other income (loss) allocated to Michigan. Partnerships may include the Section 179 expenses on property located in Michigan as a deduction here. Attach schedules.

Exemption Allowance

Line 46: Enter the total distributive income as determined using the worksheet on this page.

Line 47: Compute the percentage of income attributable to Michigan by dividing total Michigan income (line 45) by the total distributive income (line 46). This figure may not exceed 100 percent.

Keogh or HR-10 subtractions

Line 49: Figure the portion of Keogh or HR-10 subtractions which is attributable to the participants. Attach a schedule showing calculations.